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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday February 2, 1977 CG NIDC 77-026C

State Department review completed



NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Wednesday, February 2, 1977.

[REDACTED] The NID Cable is for the purpose of informing senior US officials.

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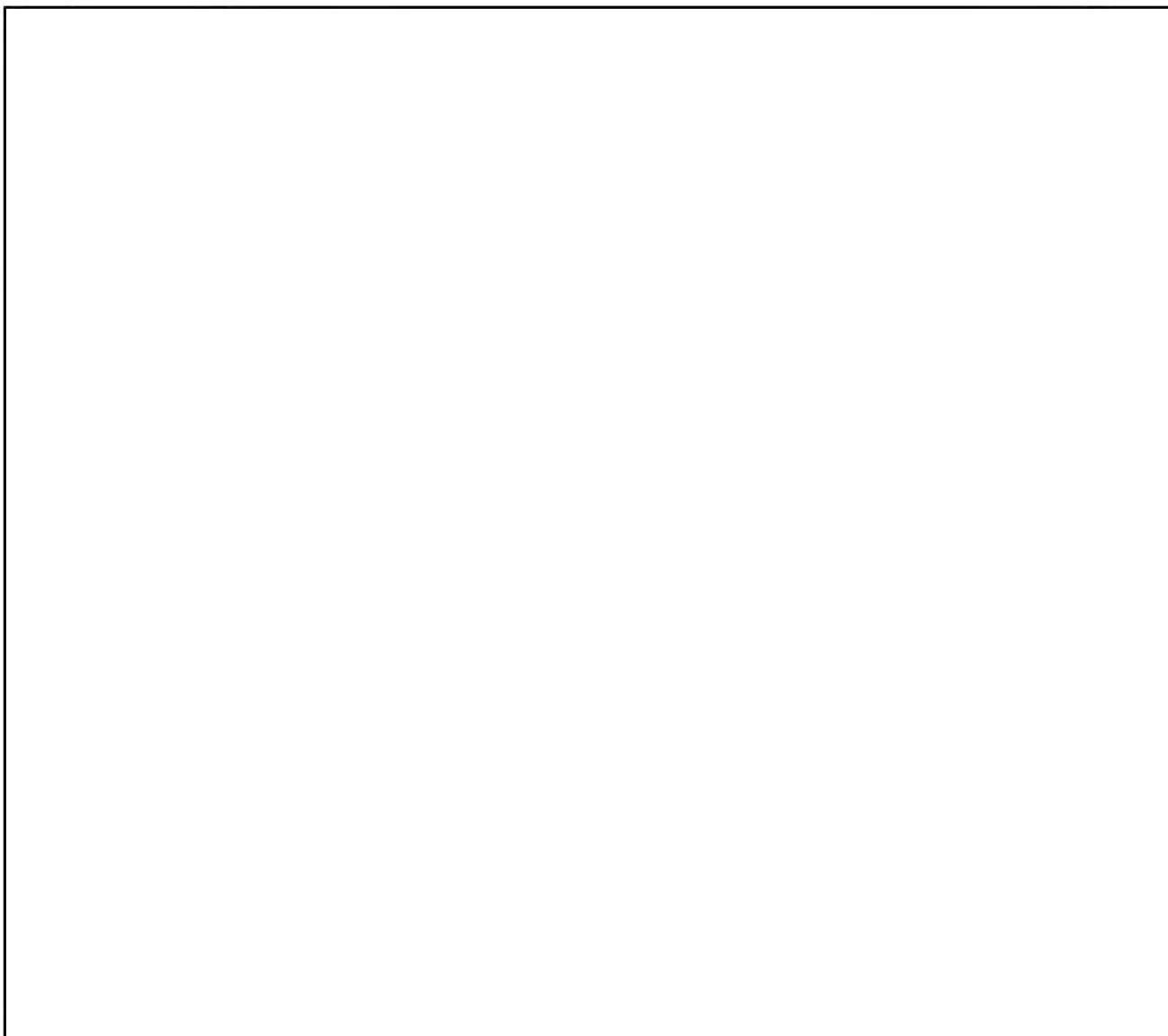
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EGYPT: Cabinet Changes

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A number of largely cosmetic changes in the Egyptian cabinet were announced in Cairo yesterday as part of what has been a lackluster response by President Sadat to the riots that shook his government some ten days ago.

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[redacted] In the most prominent change, Prime Minister Mamduh Salim takes over the Interior Ministry portfolio from his protege, Sayed Fahmi. Fahmi apparently is being made the scapegoat for the disturbances because of his failure to act more effectively in heading off the most serious civil unrest in Egypt since 1952.

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[redacted] Six other ministerial-level portfolios also changed hands, but Sadat did not remove any of the ministers on Deputy Prime Minister Qaysuni's economic team who participated in the decisions that ultimately triggered the riots.

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[redacted] Sadat obviously is hard pressed to come up with meaningful ways of alleviating the serious economic conditions that were the root cause of the riots. During the past few days he has made a series of appeals to student, worker, and professional groups to be patient while the government continues its efforts to correct the many inequities in the Egyptian economy.

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[redacted] Sadat may deal more forcefully with the country's domestic situation in a major speech scheduled for Thursday in which he is to explain the current situation to the Egyptian people. Sadat reportedly has delayed the speech in the hope that he will receive new commitments of financial help from Saudi Arabia and other oil rich states.

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CUBA-ANGOLA: Castro Interview

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[redacted] Cuba appears to be trying again to ease concerns about its role in Angola. In an interview for Swedish television yesterday, President Fidel Castro said that Cuba is gradually withdrawing military personnel from Angola while increasing civilian assistance. He added, however, that military cooperation would continue.

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[redacted] Castro's remarks are similar to public statements by Cuban leaders last spring, when a slight reduction in Cuban troops occurred. Between 10,000 and 14,500 troops are estimated to remain in Angola.

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[redacted] A troop withdrawal might be attractive to the Cubans because casualties in Angola have reportedly been heavy and morale among troops has declined.

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SOUTH AFRICA: School Boycott

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[redacted] The school boycott in black townships in the Cape Town area has intensified, according to press reports. Primary and secondary schools have been largely deserted this week. In one township, black students reportedly chased away pupils ignoring the boycott at three primary schools.

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[redacted] The extension of the boycott to primary schools is a significant deepening of student protest activity, which began last August as an effort to get students released from jail. The extension followed a mass meeting of teenage students on Sunday and may have been partly triggered by the arrest of over 30 presumed student leaders last week. Most primary students had been going to classes since schools reopened in early January after the Christmas recess, and increasing numbers of high-schoolers had been reported back in school by last week.

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[redacted] No equivalent of the Soweto Student Representative Council in the Johannesburg area has been identified in the Cape Town black townships. Student leaders in the Cape Town area, however, have clearly managed to whip up fresh enthusiasm for the boycott despite opposition from parents, from many teachers and respected school principals, and from seniors wanting to prepare for examinations leading to higher education.

SIERRA LEONE: Student Unrest

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[redacted] The first antigovernment demonstrations since President Stevens came to power in 1969 have brought violence in Sierra Leone. University students in Freetown began the disturbances last weekend, and high school students joined the protests

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yesterday. The students are charging that Stevens is using his office to build up his personal fortune and are calling for his resignation.

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[redacted] The government was taken by surprise, but has organized counterdemonstrations by ruling party members. Security forces have used tear gas to disperse demonstrators; some students have been injured and others jailed. The university is closed indefinitely.

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[redacted] The student protests have evoked some public sympathy because of Stevens' venality and his pursuit of questionable economic projects at the expense of national development. The US embassy reports, however, that the government's firm stand has cowed its critics, and that the leadership--despite some signs of internal friction--appears united behind a hard-line policy.

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[redacted] The national labor union issued a statement criticizing the government for not showing restraint in handling the student demonstrations but later withdrew the statement after a meeting between union leaders and government officials.

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EC: Seeking Mideast Solution

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[redacted] //The EC foreign ministers agreed on Monday that a diplomatic effort should be made now to find a solution to the conflict in the Middle East. According to UK Foreign Minister Crosland, the Nine reaffirmed their views on the main elements of a settlement, but decided to wait until UN Secretary General Waldheim, Secretary Vance, and the French and West German foreign ministers complete their visits to the Middle East this month before publicly presenting their position on the negotiations.//

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[redacted] //The ministers also issued a statement endorsing British efforts to bring majority rule to Rhodesia. They deplored the "irresponsible attitude" taken by the Smith government in rejecting the UK's proposals and said the minority

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white regime would receive no support from the EC. In addition, they agreed to make a demarche later this week to South Africa reiterating the EC's position in favor of early self-determination and independence for Namibia.//

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//The foreign ministers discussed recent dissident activity in Eastern Europe and the USSR but decided not to speak out publicly on this issue. The Nine are likely, however, to press the Soviets and the East Europeans hard on human rights when they meet in Belgrade in June to review compliance with the Helsinki accord.

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CHINA: Defense Spending

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Chinese leaders appear to be debating what portion of their budget to allocate to defense and how much to invest in economic development.

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The issue was raised in December with the publication of a 1956 speech by Mao that emphatically called for gradually reducing "military and administrative" costs and increasing investment in economic development. Subsequent discussion of this speech has failed to provide much guidance on exactly how Mao's instruction is to be implemented. Even an article discussing Mao's speech in the January issue of *Red Flag*, the party's official monthly journal, did not touch on this point.

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Soon after the publication of Mao's speech, the Canton Military Region explicitly agreed with the concept of giving first priority to economic development. The other 10 military regions have expressed general agreement with Mao's instruction but have yet to endorse it openly as have the military authorities in Canton.

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In the most recent development, the National Defense Industry Office, the principal body supervising China's defense industry, published an article on January 20 that seems to agree with Mao's instruction and predicts that if it is pursued, the "path of advance in the modernization of national defense will be shortened tremendously." The article also urges, however that defense industry should be developed "as fast as possible."

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[redacted] This article appears to be arguing that no rigid distinction should be drawn between rapid military modernization and economic development. Defense industry, it points out, actually stimulates economic development: production of weapons "will inevitably continue to make new demands on other industries and on science and technology, thus motivating the development of the entire national economy."

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[redacted] The article also carries an important political message. It implicitly exonerates former vice premier Teng Hsiao-ping of leftist accusations that he took a "revisionist" line in implementing Chinese military policy during 1975.

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[redacted] With the allocation of resources probably becoming an increasingly difficult issue for the Chinese leadership, Teng's military connections and administrative talents may be needed to strike a balance between military and non-military spending.

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[redacted] China's economy faltered last year when factional fighting slowed production and caused serious transportation delays. The growing population, moreover, is placing increasing demands on the economy. Those leaders who want to devote greater resources to the economy may now be citing more realistic population figures--around 950 million--rather than the official figure of 800 million.

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[redacted] At the same time, military procurement costs seem bound to rise. The Chinese have gradually begun moving away from reproducing the equipment and technology they received from the Soviet Union in the late 1950s and are manufacturing more of their own weapons systems.

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[redacted] Chinese-designed weapons include strategic missiles, a nuclear-powered submarine, a new fighter aircraft, tanks, and armored personnel carriers. Even so, the best Chinese designs are generally at least a decade behind those of the USSR, and China's defense planners are probably under considerable pressure to accelerate the military modernization program.

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[redacted] All of this points to the great pressures that must be converging on Chairman Hua Kuo-feng. He has committed himself to speeding the pace of industrial development and economic growth, a policy that enjoys strong military as well as civilian support. Some military leaders, however, may be apprehensive that civilian planners will take Mao's 1956 dictum too literally and try to cut the military budget substantially. Exactly where adjustments should be made in defense spending is bound to be a contentious issue within the military.

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[redacted] This situation may hold some political advantage for Hua because he could play off various military leaders against each other and thereby increase his leverage over the military, on which he is now heavily dependent for political support. Teng's prospects may also be linked to this discussion since he has come to symbolize rapid modernization policies. [redacted]

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AFGHANISTAN: New Constitution

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[redacted] Afghanistan's constituent assembly will soon approve a new constitution formalizing power in President Daoud's hands. The assembly also will elect Daoud--who came to power in a military coup in 1973--to a six-year term as president.

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[redacted] The constitution establishes a strong executive, a weak legislature, a judiciary that may acquire some limited independence, and a single political party headed by the president. The party will nominate all candidates for parliament and the presidency.

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[redacted] The US embassy believes Daoud is trying to create a framework in which the people could eventually have a greater voice in political affairs, but only when he decides the time is right.

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[redacted] Daoud will appoint the cabinet and one or more vice presidents, and during an initial transition period will also have judicial and legislative powers. The parliament, which will convene in November 1979, will consider bills proposed by the government or the judiciary; whether it will be able to initiate legislation is unclear.

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[redacted] Major decisions are to be ratified by the constituent assembly, consisting of the parliament, provincial representatives, senior government, military, and party officials, and persons appointed by the president. As long as Daoud remains in power, the legislative roles of both the parliament and the constituent assembly are likely to be limited to automatic approval of his decisions. The parliament will thus be even less influential than the elected legislatures that were brought into being by former King Zahir during the last few years before he was overthrown by Daoud. [redacted]

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